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October 2016

Johnston Investment Counsel
LIFE THE WAY YOU PLANNED IT.

Common Questions About Student Loan Repayment

After earning their degrees, many college graduates face a new challenge--repaying their student loans. If you've recently graduated from college, you might have some concerns about how you'll pay your student loans. Here are some answers to common questions about paying student loans.

Can I start making payments before the grace period ends?

Yes. The purpose of the grace period is to allow new graduates to get on their feet financially before committing to monthly loan repayment. The typical grace period is six months, though whether you have one and the exact length will depend on the type of loan you have.

You can make payments before the grace period ends, if you can afford to do so. Making payments during the grace period could reduce the overall interest you pay on the loans and enable you to pay off your loans more quickly.

How do I know which repayment plan is right for me?

Typically, several repayment options are available. This means you should be able to find one that is flexible enough to meet your needs. Asking yourself the following questions may help with your decision:

- How much can I afford to pay monthly? Will I be able to balance what I can afford to pay against what I am required to pay?
- Would it be better to pay the minimum payment on multiple loans or consolidate them into a single payment?
- Which repayment plan will save me the most money over the long term?
- Which repayment plan will help me pay off my student loans the fastest?
- How much total interest will I pay under each repayment plan?

For more information on specific types of repayment plans for federal student loans, visit [studentaid.ed.gov.](studentaid.ed.gov)

Should I consolidate multiple student loans?

You might opt to combine multiple student loans into a consolidated loan with a single monthly payment. Many borrowers prefer the convenience of making a single payment each month over multiple student loan payments, even if it doesn't significantly change the total monthly amount. But consider the following repercussions first.

For example, you might forfeit some of the benefits that come with federal loans. You could also wind up paying more--and once the loans are combined, you won't be able to pay down the loan with the highest interest rate first.

Some private student loans may be consolidated, though it might be smart for you to wait a few years after graduation before consolidating. You can use that time to build a solid credit history, which could help you earn a better rate when you do consolidate.

What happens if I miss a payment?

If you forget to make a single payment, you should be in the clear as long as you get back on track right away. But if you miss multiple payments, you need to come up with a plan.

Perhaps you've missed payments as a result of temporary financial hardship. In this case, you could be eligible for a deferment. If you qualify, you won't be required to make monthly payments, but you're still responsible for accrued interest on all of your loans during this period. Even if you don't meet the requirements for a deferment, you can seek your lender's or servicer's approval for a forbearance, which also allows you to stop paying your student loans for a period of time, typically six months.

Remember that interest will still accrue, so you may end up owing more over the course of your loan. Think carefully before you pursue either option.

Ten Year-End Tax Tips for 2016

Deductions may be limited for those with high incomes

If your adjusted gross income (AGI) is more than $259,400 ($311,300 if married filing jointly, $155,650 if married filing separately, $285,350 if filing as head of household), your personal and dependent exemptions may be phased out, and your itemized deductions may be limited. If your 2016 AGI puts you in this range, consider any potential limitation on itemized deductions as you weigh any moves relating to timing deductions.

IRA and retirement plan contributions

For 2016, you can contribute up to $18,000 to a 401(k) plan ($24,000 if you're age 50 or older) and up to $5,500 to a traditional or Roth IRA ($6,500 if you're age 50 or older). The window to make 2016 contributions to an employer plan generally closes at the end of the year, while you typically have until the due date of your federal income tax return to make 2016 IRA contributions.

Here are 10 things to consider as you weigh potential tax moves between now and the end of the year.

1. Set aside time to plan

Effective planning requires that you have a good understanding of your current tax situation, as well as a reasonable estimate of how your circumstances might change next year. There's a real opportunity for tax savings if you'll be paying taxes at a lower rate in one year than in the other. However, the window for most tax-saving moves closes on December 31, so don't procrastinate.

2. Defer income to next year

Consider opportunities to defer income to 2017, particularly if you think you may be in a lower tax bracket then. For example, you may be able to defer a year-end bonus or delay the collection of business debts, rents, and payments for services. Doing so may enable you to postpone payment of tax on the income until next year.

3. Accelerate deductions

You might also look for opportunities to accelerate deductions into the current tax year. If you itemize deductions, making payments for deductible expenses such as medical expenses, qualifying interest, and state taxes before the end of the year, instead of paying them in early 2017, could make a difference on your 2016 return.

4. Factor in the AMT

If you're subject to the alternative minimum tax (AMT), traditional year-end maneuvers such as deferring income and accelerating deductions can have a negative effect. Essentially a separate federal income tax system with its own rates and rules, the AMT effectively disallows a number of itemized deductions. For example, if you're subject to the AMT in 2016, prepaying 2017 state and local taxes probably won't help your 2016 tax situation, but could hurt your 2017 bottom line. Taking the time to determine whether you may be subject to the AMT before you make any year-end moves could help save you from making a costly mistake.

5. Bump up withholding to cover a tax shortfall

If it looks as though you're going to owe federal income tax for the year, especially if you think you may be subject to an estimated tax penalty, consider asking your employer (via Form W-4) to increase your withholding for the remainder of the year to cover the shortfall. The biggest advantage in doing so is that withholding is considered as having been paid evenly through the year instead of when the dollars are actually taken from your paycheck. This strategy can also be used to make up for low or missing quarterly estimated tax payments.

6. Maximize retirement savings

Deductible contributions to a traditional IRA and pretax contributions to an employer-sponsored retirement plan such as a 401(k) can reduce your 2016 taxable income. If you haven't already contributed up to the maximum amount allowed, consider doing so by year-end.

7. Take any required distributions

Once you reach age 70½, you generally must start taking required minimum distributions (RMDs) from traditional IRAs and employer-sponsored retirement plans (an exception may apply if you're still working and participating in an employer-sponsored plan). Take any distributions by the date required--the end of the year for most individuals. The penalty for failing to do so is substantial: 50% of any amount that you failed to distribute as required.

8. Weigh year-end investment moves

You shouldn't let tax considerations drive your investment decisions. However, it's worth considering the tax implications of any year-end investment moves that you make. For example, if you have realized net capital gains from selling securities at a profit, you might avoid being taxed on some or all of those gains by selling losing positions. Any losses over and above the amount of your gains can be used to offset up to $3,000 of ordinary income ($1,500 if your filing status is married filing separately) or carried forward to reduce your taxes in future years.

9. Beware the net investment income tax

Don't forget to account for the 3.8% net investment income tax. This additional tax may apply to some or all of your net investment income if your modified AGI exceeds $200,000 ($250,000 if married filing jointly, $125,000 if married filing separately, $200,000 if head of household).

10. Get help if you need it

There's a lot to think about when it comes to tax planning. That's why it often makes sense to talk to a tax professional who is able to evaluate your situation and help you determine if any year-end moves make sense for you.

Top Financial Concerns of Baby Boomers, Generation Xers, and Millennials

In its survey, PricewaterhouseCoopers defined the generations as having these birth years: baby boomers: 1943-1960; Generation X: 1961-1981; millennials: 1982-1997. The U.S. Census Bureau and other groups often define these generational ranges differently.

Source:

"Employee Financial Wellness Survey," PricewaterhouseCoopers LLP, April 2016

Many differences exist among baby boomers, Generation Xers, and millennials. But one thing that brings all three generations together is a concern about their financial situations.

According to an April 2016 employee financial wellness survey, 38% of boomers, 46% of Gen Xers, and 51% of millennials said that financial matters are the top cause of stress in their lives. In fact, baby boomers (50%), Gen Xers (56%), and millennials (60%) share the same top financial concern about not having enough emergency savings for unexpected expenses. Following are additional financial concerns for each group and some tips on how to address them.

Baby boomers

Baby boomers cite retirement as a top concern, with 45% of the group saying they worry about not being able to retire when they want to. Although 79% of the baby boomers said they are currently saving for retirement, 52% of the same group believe they will have to delay retirement. Health issues (30%) and health-care costs (38%) are some of the biggest retirement concerns cited by baby boomers. As a result, many baby boomers (23%) are delaying retirement in order to retain their current health-care benefits.

Other reasons reported by baby boomers for delaying retirement include not having enough money saved to retire (48%), not wanting to retire (27%), and having too much debt (23%).

Generation X

While baby boomers are concerned about retiring when they want to, Gen Xers are more specifically worried about running out of money in retirement, with 50% of the surveyed group citing this as a top concern. More Gen Xers (26%) than baby boomers (25%) or millennials (21%) have already withdrawn money held in their retirement plans to pay for expenses other than retirement.

Besides worrying about retirement, 25% of Gen Xers are concerned about meeting monthly expenses. Forty-four percent find it difficult to meet household expenses on time each month, and 53% consistently carry balances on their credit cards.

Being laid off from work is another financial worry among Gen Xers, cited by 22% of those surveyed--more than cited by baby boomers or millennials.

Gen Xers (26%) report that better job security would help them achieve future financial goals, which may help explain their worry about both future (retirement) and current (living) expenses.

Millennials

Unlike baby boomers and Gen Xers who worry about future financial needs, millennials seem to be more concerned about meeting current expenses. This concern has grown substantially for millennials, from 23% in the same survey conducted in 2015 to 35% in 2016. Millennials are also finding it increasingly difficult to pay their household expenses on time each month, with the number jumping from 35% in 2015 to 46% in 2016.

Considering the amount of debt that millennials owe, it's probably not surprising that they worry about making ends meet. Specifically, 42% of the millennials surveyed have a student loan(s), with 79% saying their student loans have a moderate or significant impact on their ability to meet other financial goals.

In an attempt to make ends meet, 30% of millennials say they use credit cards to pay for monthly necessities because they can't afford them otherwise. But 40% of those who consistently carry balances find it difficult to make their minimum credit-card payments on time each month.

How each generation can address their concerns

Focusing on some basics may help baby boomers, Gen Xers, and millennials address their financial concerns. Creating and sticking to a budget can make it easier to understand exactly how much money is needed for fixed/discretionary expenses as well as help keep track of debt. A budget may also be a useful tool for learning how to prioritize and save for financial goals, including adding to an emergency savings account and retirement.

At any age, trying to meet the competing demands of both short- and long-term financial goals can be frustrating. Fortunately, there is still time for all three generations to develop healthy money management habits and improve their finances.

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What are my health-care options if I retire early?

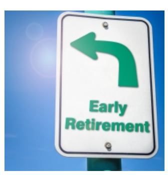
If you're eligible for an early-retirement package from your employer, determine whether post-retirement medical coverage is included. These packages sometimes provide medical coverage until you reach age 65 and become eligible for Medicare. Given the high cost of medical care, you might find it hard to turn down an early-retirement package that includes such coverage.

If your package doesn't include post-retirement medical coverage, or you're not eligible for an early-retirement package at all, you'll need to look into alternative sources of health insurance, such as COBRA continuation coverage or an individual health insurance policy, to carry you through to Medicare eligibility.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), most employer-provided health plans (typically employers with 20 or more employees) must offer temporary continuation coverage for employees (and their dependents) upon termination of employment. Coverage can last for up to 18 months, or 36 months in some cases. You'll generally have to pay the full cost of coverage--employers aren't required to continue their contribution toward coverage, and most do not. Employers can also charge an additional 2% administrative fee.

Individual health insurance is available directly from various insurance carriers or, as a result of the Affordable Care Act, through state-based or federal health insurance marketplaces. One advantage of purchasing coverage through a marketplace plan is that you may be entitled to a premium tax credit if your post-retirement income falls between 100% and 400% of the federal poverty level (additional income-based subsidies may also be available).

Some factors to consider when comparing various health options are (1) the total cost of coverage, taking into account premiums, deductibles, copayments, out-of-pocket maximums, and (for marketplace plans) tax credits and subsidies; (2) the ability to continue using your existing health-care providers (and whether those providers will be in-network or out-of-network); and (3) the benefits provided under each option and whether you're likely to need and use those benefits.



Should I accept my employer's early-retirement offer?

The right answer for you will depend on your situation. First of all, don't underestimate the psychological impact of early retirement. The adjustment from full-time work to a more leisurely pace may be difficult. So consider whether you're ready to retire yet. Next, look at what you're being offered. Most early-retirement offers share certain basic features that need to be evaluated. To determine whether your employer's offer is worth taking, you'll want to break it down.

Does the offer include a severance package? If so, how does the package compare with your projected job earnings (including future salary increases and bonuses) if you remain employed? Can you live on that amount (and for how long) without tapping into your retirement savings? If not, is your retirement fund large enough that you can start drawing it down early? Will you be penalized for withdrawing from your retirement savings?

Does the offer include post-retirement medical insurance? If so, make sure it's affordable and provides adequate coverage. Also, since Medicare doesn't start until you're 65, make sure your employer's coverage lasts until you reach that age. If your employer's offer doesn't include medical insurance , you may have to look into COBRA or a private individual policy.

How will accepting the offer affect your retirement plan benefits? If your employer has a traditional pension plan, leaving the company before normal retirement age (usually 65) may greatly reduce the final payout you receive from the plan. If you participate in a 401(k) plan, what price will you pay for retiring early? You could end up forfeiting employer contributions if you're not fully vested. You'll also be missing out on the opportunity to make additional contributions to the plan.

Finally, will you need to start Social Security benefits early if you accept the offer? For example, at age 62 each monthly benefit check will be 25% to 30% less than it would be at full retirement age (66 to 67 , depending on your year of birth). Conversely, you receive a higher payout by delaying the start of benefits past your full retirement age--your benefit would increase by about 8% for each year you delay benefits, up to age 70.

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Communicable Stress

By all accounts, stress—and its accompanying emotional mix of frustration, anxiety and fear—is bad for your health. When you experience stress in your body, you release increased amounts of glucose from our liver into your blood, and your body produces cortisone, which is actually toxic to your system. Your heart rate goes up, sending more enriched blood to your muscles. Your immune system kicks into high gear, and you stay in this high-alert state which is only designed to help you combat real threats, depleting you physically.

Now, researchers have discovered that stress is contagious—that is, you can catch it from those around you, and even from the evening news.

Researchers at the Max Planck Institute for Cognitive and Brain Sciences conducted an experiment where they gave individuals a series of very challenging arithmetic questions and interviewed them—in both cases, in order to induce direct stress. They had another group of subjects watch the test and interviews through a one-way mirror. They found that 95% of those subjected to direct stress experienced the physical symptoms, but so, too, did 26% of the observers. Later, they discovered that 24% of their subjects experienced stress simply watching television programs depicting the suffering of other people. (Think: Evening news.)

How do you combat this contagious health risk? Heidi Hanna, a psychologist and author of *Stressaholic: 5 Steps to Transform Your Relationship With Stress*, recommends, well, ten actual steps.

First, create a place where you can think without being disturbed. This is difficult in open-plan offices, of course, and it explains why so many great ideas are hatched in the relative isolation of the shower.

Second, when you interact with people, give them your full attention. If you set aside your smartphone and focus on that co-worker or spouse, it short-circuits the stress-producing message that the other person is not important. And it may reduce the stress of trying to do too many things at once.

Third, get to know when you're feeling stressed, and ask yourself if you're picking it up from someone else. If so, you can either help that person or limit your time together.

Fourth: Practice meditation, and give your brain a few minutes to get out of work mode.

Fifth: Make sure you get up from your desk to walk around and stretch every hour or two, and twice a day climb some stairs or otherwise get your heart rate up. If you sit too long, less oxygen gets to your brain, which can trigger a stress response all by itself.

Sixth: Don't go too long without eating. If your blood sugar goes down, it sends a message to the brain that there's a shortage of food, which can trigger an automatic stress response.

Seventh: Don't schedule every minute of your time. Allow time between meetings to prepare for your next encounter and to check and resolve email messages.

Eighth: Practice gratitude. That means avoiding the tendency to focus on the negative by redirecting your focus to things that are going right in your life.

Ninth: Redefine stressors as challenges. If you see that looming deadline as a challenge, but you know you have the resources to meet it, it generates adrenaline. If you worry about the deadline, you produce cortisone, the inflammatory stress hormone.

Tenth: Set a good example for others by practicing good stress "hygiene" and refusing to infect others. The better you take care of yourself, the more others will be able to avoid stress.

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Good News About Global Warming

Chances are you've felt a bit discouraged by the global warning reports. On the one hand, some experts say that our world is in for trouble unless we make significant changes in how our global economy produces the energy it needs to function. On the other, we are told that even if we shift totally over to clean energy tomorrow (not likely), the troubling warming trend—and polar ice melts, flooding of coastal areas, and increasing droughts, hurricanes and severe winters—will continue to accelerate for the next 30-50 years. The damage has already been done.

Or has it? The ideal solution would not just reduce carbon dioxide and other greenhouse gas emissions, but to remove some of what has already been pumped into the atmosphere.

There are two interesting developments along this front. First, researchers from Columbia University's Lamont-Doherty Earth Observatory in Iceland are perfecting a technique which would mix carbon dioxide captured from the smoke stacks of a power plant with water and hydrogen sulfide, and then inject the mixture into basalt rock—a substance which makes up about 70% of the Earth's crust. The result: 95% of the carbon solidifies into stone, due to a reaction between the various ingredients. In effect, carbon dioxide has been turned to stone and stored away securely—more or less forever. Currently, in Iceland, the local energy utility has been pumping 5,000 tons of carbon dioxide a year into underground rock formations.

Of course, that's a small drop in a very large bucket: currently our various industrial processes release more than 30 billion tons of carbon dioxide into the atmosphere each year. But if each power plant had its own recapture facility, that figure would come down dramatically.

Meanwhile, a company called Global Thermostat is testing a carbon capture unit in Silicon Valley that could suck carbon dioxide directly out of the air, reducing our global carbon footprint and potentially reversing greenhouse gas concentrations in the atmosphere.

The unit, which looks like a giant dehumidifier, would be attached to a power plant or factory, and be powered by the residual heat of the facility itself. Large pipes would bring the power plant's emissions into the unit, while external intakes would suck in the outside air. The carbon is captured from both sources, rendering the plants "carbon negative," reducing carbon dioxide in the nearby atmosphere—and cranking out a pure enough form of carbon to be sold at a profit for industrial uses, including plastics, manufacturing, biofertilizers, biofuels and soda pop factories. All but the fuels would keep the carbon sequestered and out of the atmosphere.

The test unit can extract up to 10,000 tons of carbon per year, which means the world would need roughly 3 million of them to offset the current level of emissions, and many more if we want to start scrubbing the atmosphere and addressing those scary future projections. The company envisions attaching these units to power plants, and also creating farms of them in remote locations to start the long, difficult process of undoing the environmental damage of our energy economy.

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Medical Empowerment

How do you become an empowered health care consumer? A recent blog post on the Forbes magazine website, authored by financial planner/doctor Carolyn McClanahan, suggests that the relationship between doctors and patients is entering a third phase of its long-term evolution. Phase one was paternalistic, where the doctor told the patient what to do and the patient was expected to do it. With the rise of the Internet, the relationship has become more informational—the doctor provides the patient with a number of choices, and the patient chooses one of them.

The problem with an informational relationship is that most patients aren't really equipped to relate the available choices to their health goals, which means they might select the wrong type of care. The new paradigm is a collaborative approach, where the health care provider takes the time to understand the patients' goals, needs and resources, and then helps them decide the care that is most appropriate for their situation.

It takes two to make this work, which means that you, the patient, will need to more actively participate in your doctors' visits. How? McClanahan recommends that you write out, in advance, your current symptoms, your current medication and some information about your diet. Write down the questions you would like the doctor to answer during your visit. Also in advance: if you have complicated issues, ask for a longer appointment.

During the visit, make certain the doctor answers your questions in laymen's terms rather than medical jargon. If testing is ordered, ask what the doctor wants to learn from the test, and how the results might change the approach to treatment. If the doctor cannot provide a clear answer, ask if the test is really necessary. Ask what you can do to improve the situation—like changing your diet or adding a more rigorous exercise regimen.

Before the visit is over, make sure you know what's going to happen next, and why. If the doctor seems hurried or impatient with your questions, or is not able to tell you how you can improve your health circumstances on your own, then ask for a referral to the appropriate nutritionist, physical therapist or a more patient medical practitioner. If you're dissatisfied, make sure the doctor and the health care organization understands why—because you won't get collaborative health care unless you force these organizations to evolve to the next level of doctor-patient relationship.

Source:

- http://www.forbes.com/sites/carolynmcclanahan/2016/09/04/becoming-an-empowered-patient/#1ed84a4369e3